

## Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SPC-03 SS-15

USIA-15 ACDA-19 IO-15 AID-20 COME-00 EB-11 FRB-02

TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01

SAJ-01 NIC-01 FPC-01 INT-08 SCEM-02 STR-08 DRC-01

EA-11 FMC-04 /230 W

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FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC 2695

INFO AMEMBASSY BONN

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DEPT PASS COMMERCE AND TREASURY

BONN PASS SECRETARY SHULTZ

E.O. 11652: N/A

TAGS: BEXP, UR, US

SUBJ: THIRD SESSION OF JOINT U.S. - USSR

COMMERCIAL COMMISSION

REF: A. MOSCOW 12137 B. MOSCOW 12155

1. SUMMARY: THIRD SESSION OF JOINT US-USSR COMMERCIAL  
COMMISSION CONCLUDED LATE MORNING OCT 3 WITH SIGNING  
CEREMONY FOR AGREED MINUTES AND PROTOCOL PROVIDING FOR  
OCT 3 OPENING US. COMMERCIAL OFFICE IN MOSCOW AND USSR  
TRADE REPORESENTATION IN WASHINGTON. IN TWO PLENARY  
SESSIONS AND FOUR WORKING GROUP MEETINGS DURING TWO AND  
ONE HALF DAY PERIOD PARTICIPANTS EXAMINED DEVELOPMENTS  
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IN PRINCIPAL AREAS OF US-SOVIET TRADE AND ECONOMIC

RELATIONSHIPS. END SUMMARY.

2. INITIAL PLENARY SESSION BEGINNING 1200 OCT 1, CHAIRED BY SOVIET FOREIGN TRADE MINISTER N.S. PATOLICHEV, ESTABLISHED AGENDA: (A) STATUS OF TRADE AND ECONOMIC RELATIONS BETWEEN THE US. AND THE USSR; (B) STATUS OF RECIPROCAL BUSINESS FACILITIES IN THE US AND USSR; (C) PROJECT FINANCING; (D) US-USSR COOPERATION IN PROJECTS TO DEVELOP NATURAL GAS RESOURCES IN USSR; (E) US-USSR COOPERATION IN CONSTRUCTION OF PRODUCTION FACILITIES FOR SUCH MATERIALS AS ALUMINUM, METHANOL, FERRO-MANGANESE, FERRO-CHROMIUM AND FERRO-SILICON; (F) REPORT ON STATUS OF JOINT US-SOVIET TRADE AND ECONOMIC COUNCIL; AND (G) INAUGURATION OF THE US COMMERCIAL OFFICE IN MOSCOW.

3. WORKING GROUP MEETINGS HELD OCT 1-2 REVIEWED PROBLEMS AND ACHIEVEMENTS IN AREAS COVERED BY AGENDA ITEMS (B) THROUGH (E). JOINT US-SOVIET TRADE AND ECONOMIC COUNCIL CHAIRMAN DONALD M. KENDALL AND USSR ALL-UNION CHAMBER OF COMMERCE PRESIDENT B.A. BORISOV REPORTED ON PROGRESS IN ORGANIZING COUNCIL.

4. REGARDING STATUS OF JOINT TRADE AND ECONOMIC COUNCIL, BORISOV EXPLAINED THAT GROUP WILL BE GOVERNED BY BOARD OF DIRECTORS INCLUDING 26 REPRESENTATIVES FROM EACH SIDE. SIX MEMBERS FROM EACH SIDE WILL CONSTITUTE EXECUTIVE COMMITTEE TO BE CHAIRED BY FORMER ASSISTANT SECRETARY OF COMMERCE HAROLD SCOTT. PRINCIPAL OFFICE WILL BE IN NEW YORK WITH BRANCH OFFICE IN MOSCOW, BOTH TO BE HEADED BY US. CITIZENS. PRESENT PLANS CONTEMPLATE FINANCING COUNCIL THROUGH MEMBERSHIP FEES SUPPLEMENTED BY INCOME FROM COUNCIL'S SERVICES.

5. BUSINESS FACILITATION WORKING GROUP, RECOGNIZING AND APPROVING EXTENSIVE INCREASES IN COMMERCIAL AND ECONOMIC CONTACT, REVIEWED PROBLEMS AMERICAN BUSINESSMEN EXPERIENCE IN MOSCOW, THEN TOOK UP SOVIET REQUEST FOR ADDITIONAL PERSONNEL REQUESTED BY SOVIET TRADE OFFICE IN WASHINGTON. AFTER DISCUSSION OF THIS ISSUE, QUESTION OF CONTINUING EXISTING LIMITED OFFICIAL USE

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WORKING GROUP ON PATENTS AND LICENSES AROSE, CONCLUDING WITH AGREEMENT THAT LICENSING GROUP BE TERMINATED WITH UNDERSTANDING THAT NEW GROUP ON SAME SUBJECT MAY BE CREATED IF NECESSARY.

6. WORKING GROUP ON FINANCE REVIEWED LEVEL AND NATURE OF US CREDITS TO USSR (APPROXIMATELY DOLS 337 MILLION TO DATE, WITH ADDITIONAL POTENTIAL CREDITS FOR CHEMICAL PROJECTS OF

PERHAPS DOLS 160 MILLION. IF APPROVED, THE LATTER WOULD  
BRING TOTAL TO APPROXIMATELY DOLS 500 MILLION) DISCLOSURE  
OF FINANCIAL INFORMATION BY USSR WAS THEN DISCUSSED, PRODUCING  
COMMENT THAT ONE YEAR AGO USSR'S TOTAL FOREIGN DEBTS TOTALLED  
ABOUT DOLS 1.2 BILLION AND THAT FIGURE IS NOW SOMEWHAT  
LARGER AS RESULT OF CREDITS RECEIVED FROM US. ON QUESTION  
OF FINANCING OF NEW INTERNATIONAL TRADE CENTER TO BE BUILT  
IN MOSCOW IT WAS NOTED THAT A DOLS 36 MILLION EXIMBANK CREDIT  
MATCHED BY EQUAL SUM FROM CHASE MANHATTAN WOULD BE NEEDED.  
OTHERWISE SOVIETS WOULD HAVE TO FIND OTHER SOURCES OF  
FINANCING. CONCERNING DISPARITY BETWEEN US. AND JAPANESE  
ESTIMATES OF FINANCING COSTS FOR YAKUTIA GAS DEPOSIT  
EXPLORATION. BOTH SIDES CONCURRED THAT APPARENT  
DISCREPANCIES WOULD BE CLARIFIED DURING DEPUTY MINISTER  
OSIPOV'S FORTHCOMING VISIT TO US.

7. WORKING GROUP ON LNG PROJECTS BEGAN WITH SOVIET  
EXPLANATION OF BOTH MAJOR GAS ENTERPRISES, INCLUDING  
ALTERNATIVE PIPE LINE ROUTES AND RELATIVE ADVANTAGES AND  
DISADVANTAGES OF EACH. ENSUING DISCUSSION COVERED (1) NEED  
TO SPEED NEGOTIATIONS, (2) SORT OUT DISPARITIES IN VARIOUS  
EQUIPMENT COST ESTIMATES, (3) NECESSITY FOR ADDITIONAL  
INFORMATION BEFORE USG CAN EVALUATE NATURE AND EXTENT OF  
OFFICIAL SUPPORT REQUIRED, AND (4) ALTERNATIVES FOR  
OWNERSHIP OF LNG TANKERS. POSSIBLE ADDITIONAL GAS PROJECTS  
ON CASPIAN, BALTIC AND BLACK SEAS WERE ALSO TOUCHED UPON,  
AND SOVIETS NOTED THAT THEY HAD BEGUN DISCUSSION ON THESE  
PROJECTS WITH EXXON.

8. AFTER CUSTOMARY EXCHANGE OF PLEASANTRIES, WORKING GROUP  
ON POWER-INTENSIVE INDUSTRIAL FACILITIES REVIEWED PROJECTS  
ALREADY UNDER CONSIDERATION, THEN COVERED NEW PROPOSALS INTRODUCED  
BY SOVIET SIDE (SPECIFIC ITEMS ARE LISTED IN WORKING GROUP  
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MEMORANDA BEING TRANSMITTED SEPARATELY). SOVIET SIDE NOTED AS  
OF SEPT 1, 1973, USSR HAD SIGNED CONTRACTS WORTH 450 MILLION  
RUBLES WITH U.S. FIRMS, AND ENSUING DISCUSSION REVOLVED  
ABOUT STATUS OF PENDING PROJECTS IN RELATION TO EXIM  
GUARANTEES AND OTHER CREDIT SOURCES. SESSION CONCLUDED  
WITH OUTLINE OF INFORMATION REQUIREMENTS OF AMERICAN  
COMPANIES REGARDING PROJECTS PROPOSED BY USSR (PLANT  
LOCATION AND INPUTS, CAPACITY, CHEMICAL COMPOSITION OF  
MINERAL, TRANSPORT OPTIONS, BILL OF EQUIPMENT REQUIRED,  
EARLIEST DATE U.S. PARTIES COULD MAKE SITE VISITS,  
NATURE OF FINAL PRODUCT TO BE SHARED--I.E. DEGREE OF  
FINISH).

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9. SECOND AND FINAL PLENARY SESSION BEGAN WITH BRIEF STATEMENT BY PATOLICHEV BEFORE ORAL PRESENTATION OF WORKING GROUP REPORTS. MANZHULO DISCUSSED BUSINESS FACILITATION,

ALKHIMOV FINANCING, OSIPOV LNG PROJECTS AND KOMAROV OTHER INDUSTRIAL PROJECTS. AMERICAN SIDE COMMENTED AFTER EACH PRESENTATION. BENNETT REGARDING FINANCING, LNG, AND OTHER INDUSTRIAL PROJECTS, AND LAZARUS ON BUSINESS FACILITATION. UP-BEAT NATURE OF SUMMARIES INCLUDED EMPHASIS (1) ON CONTINUING PRESS FOR DECISIONS ON LNG PROJECTS THROUGH STANDING WORKING GROUPS, (2) READINESS ON SOVIET SIDE TO REACH UNDERSTANDING ON CREDIT QUESTIONS TOGETHER WOTH READINESS TO PROVIDE NEEDED FINANCIAL INFORMATION AND REQUEST FOR ADDITIONAL DATA FROM US. SIDE (NECESSITY TO CONTINUE SEEK COMPLETE MUTUAL CONFIDENCE HEAVILY STRESSED IN ALKHIMOV PRESENTATION), (3) SPEEDING UP ACCREDITATION PROCESS FOR U.S. FIRMS AND ACHIEVING EQUITABLE SOLUTIONS TO BUSINESS

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FACILITATION PROBLEMS. (4) JOINT EFFORT TO EXAMINE FEASIBILITY AND PUBLICIZE INTEREST OF BOTH SIDES IN JOINT INDUSTRIAL DEVELOPMENT OPPORTUNITIES, ESPECIALLY IN ALUMINUM, FERRO-CHROME, FERRO-MANGANESE AND SIMILAR PROCESSING FACILITIES REQUIRING HEAVY ENERGY INPUTS.

10. FINAL PLENARY CONCLUDED WITH TEN-MINUTE PATOLICHEV WRAP-UP UNDERLINING IMPORTANCE OF MAINTAINING FORWARD MOMENTUM IN DEVELOPMENT OF US-USSR TRADE RELATIONS, FOLLOWED BY SIGNATURE OF PROTOCOL ON US. COMMERCIAL OFFICE AND SOVIET TRADE REPRESENTATION, AGREED MINUTES OF JOINT COMMISSION SESSION, JOINT COMMUNIQUE, LETTERS EXTENDING TERM OF KAMA PURCHASING COMMISSION AND SIZE OF COMMERCIAL REPRESENTATION. ORIGINAL DOCUMENTS ARE WITH SHULTZ/DENT PARTY. COPY OF RUSSIAN LANGUAGE TEXT OF AGREED MINUTES WILL BE POUCHED OCT8. COPIES OF EMBASSY MINUTES OF BOTH PLENARY SESSIONS AND FOUR WORKING GROUP SESSIONS BEING POUCHED SEPARATELY TO BENNETT (TREASURY), LAZARUS (COMMERCE), AND EUR SOV.

11. AFTER PLENARY OCT 3 SECRETARIES SHULTZ AND DENT, UNDER SECRETARY CASEY, MINISTER PATOLICHEV, DEP. MINISTERS ALKHIMOV, KOMAROV, MANZHULO, OSIPOV AND SMEL'YAKOV AND OTHER PARTICIPANTS IN JOINT COMMISSION MEETINGS TRAVELED VIA MOTORCADE TO NEW U.S. COMMERCIAL OFFICE, WHERE SEC. DENT DEDICATED OFFICE, CUT RIBBON IN SYMBOLIC REMOVAL OF ONE MORE BARRIER TO EXPANSION OF US-SOVIET TRADE, AND THUS CONCLUDED JOINT COMMISSION AGENDA.

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